

LOCAL GOVERNMENT PROPERTY INSURANCE FUND

OVERSIGHT COMMITTEE MEETING

Wednesday, December 05, 2001

PRESENT: DAN BUBOLZ
EILEEN MALLOW
PETER MEDLEY
PHIL KRESS
KEVIN HOULIHAN
JIM TRADER
DAVE MARCHANT
FRED HARING
DENNIS TWEEDALE
APRIL ZELINSKI

ABSENT: JANE KOVACIK

Dan Bubolz called to order the meeting of the LGPIF Oversight Committee at 9:40 a.m.

Eileen Mallow welcomed the attendees and facilitated introductions. Eileen also thanked Jim Trader for the work he has performed for the Fund during his tenure as Administrator.

Dan Bubolz reviewed the **Minutes of the prior Oversight Committee Meeting** that was held on March 8, 2001. There were no changes or comments. As such, the minutes will be posted on the Web Site.

Dave Marchant reported on the **Financial Reports and Policyholder Statistics** of the Fund. Highlights of his report included:

- The Fund sustained considerable losses from the June 2001 windstorms of just over \$2 million. A partial reinsurance recovery is possible.
- The Fund is suffering from a high loss ratio. Even though premiums have been increased, losses are still exceeding premiums.
- In force premiums continue to increase.
- The Reinsurance SIR changed from \$500,000 to \$2.5 million, and from a \$6 million aggregate to a \$12 million aggregate.

Jim Trader explained that the current reinsurance market is very hard and some carriers are seeing a 100 to 300% increase in reinsurance premiums.

Dan Bubolz provided a status report regarding **Reinsurance**. The Fund has obtained a binder for \$25 million with Royal Indemnity with the same terms and conditions, i.e., no terrorist exclusion. These favorable terms were obtained by canceling the existing policy (with a termination of December 31, 2001) and rewriting it with a December 1, 2001 effective date, expiring on December 31, 2002, at a 35% increase.

The second layer of coverage, which has been \$75 million excess of \$25 million provided by Travelers Insurance Group (TIG), has not been finalized due to capacity issues according to TIG. The third layer of \$140 million excess of \$100 million is shared between Royal and TIG. How this layer is structured will be dependent upon finalizing the second layer, as there currently is a gap of coverage in the amount of \$25 million.

It is possible that the new policies for the second and third layers will have a terrorist exclusion. These policies will be written with an effective date of January 1, 2002 expiring December 31, 2002 and are currently being negotiated.

Dan Bubolz reported on the **Administrative Services Contract**. The protest and appeal process has been completed and the contract award upheld to The ASU Group. The contract effective date is January 1, 2002. The Fund has been keeping the policyholders informed of these issues.

OCI has been working with The ASU Group regarding transition issues. April Zelinski reviewed the updated transition plan with the Committee and answered questions. All services will be delivered from ASU's Madison offices, except for Financial reporting, which will be handled from their corporate offices in Okemos, Michigan. All existing claims and those reported through December 31, 2001 will be handled by GAB on behalf of Aon.

Kevin Houlihan gave an update on the activities of the **Advisory Committee**. The Insurance Commissioner met with some members of the Advisory Committee and as a result, Kevin was appointed as a member of the Oversight Committee. The Advisory Committee is very pleased with the efforts of the Insurance Commissioner, especially with regard to increased communication. For example, Kevin requested and The ASU Group provided each member of the Advisory Committee with a copy of an overview of their organization and transition plans, and that was very well received. In the future, a member of the Advisory Committee will be named to the evaluation teams with respect to reviewing Requests for Proposals.

The next meeting of the Advisory Committee is April 16, 2002.

With regard to **Requests for Proposals (RFPs)** Dan Bubolz advised that the Fund will put out an RFP for reinsurance in 2002. An actuarial RFP has been sent out. The purpose is to solicit expertise with regard to such things as rating and IBNR reserving. The evaluation committee would like to be prepared to discuss this with the Advisory Committee at the April 2002 meeting. Two additional RFPs being considered are for Valuation services, and to determine Probable Maximum Loss that the Fund may sustain from primarily an engineering focus versus an actuarial study.

Dan Bubolz provided an update with regard to the **FEMA Pool Project**. FEMA has put this project on hold for the time being, but has acknowledged the Fund's interest in begin selected as a participant.

Dan Bubolz reported on the status of litigation involving **Marathon County**. The fundamental issue revolves around ownership of a building that is the subject of a claim. Currently the Administrative Law Judge in the arbitration process has ruled that he will only consider the issue of coverage at this time. If coverage is found, the issue of damages will be addressed later.

The next meeting of the Oversight Committee will be scheduled in Spring 2002 following the Advisory Committee meeting.

The meeting was adjourned at 11:00 a.m.

Minutes submitted by:

April Zelinski

Attest:

Dan Bubolz